

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Yankee Springs
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2005

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT

BASIC FINANCIAL STATEMENTS

Government-wide financial statements:

Statement of net assets	5
Statement of activities	6

Fund financial statements:

Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary funds	10
Statement of revenues, expenses and changes in fund net assets - proprietary funds	11
Statement of cash flows - proprietary funds	12
Notes to financial statements	13 - 19

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary comparison schedule:

General Fund	20 - 21
Fire Equipment Fund	22

SUPPLEMENTARY INFORMATION

Combining balance sheet - nonmajor governmental funds	23
Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	24

INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Yankee Springs, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the Township's financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Yankee Springs, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Yankee Springs, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Yankee Springs, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.,

October 7, 2005

BASIC FINANCIAL STATEMENTS

Township of Yankee Springs
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 962,124	\$ 304,300	\$ 1,266,424
Receivables	129,337	21,733	151,070
Prepaid expenses	14,423	-	14,423
	<u>1,105,884</u>	<u>326,033</u>	<u>1,431,917</u>
Noncurrent assets:			
Receivables	14,055	-	14,055
Capital assets (net of depreciation)	874,061	1,520,689	2,394,750
	<u>888,116</u>	<u>1,520,689</u>	<u>2,408,805</u>
Total assets	<u>1,994,000</u>	<u>1,846,722</u>	<u>3,840,722</u>
LIABILITIES			
Current liabilities:			
Accounts payable	15,615	10,331	25,946
Current portion of contract payable	-	25,000	25,000
	<u>15,615</u>	<u>35,331</u>	<u>50,946</u>
Noncurrent liabilities:			
Contract payable	-	625,000	625,000
Total liabilities	<u>15,615</u>	<u>660,331</u>	<u>675,946</u>
NET ASSETS			
Invested in capital assets, net of related debt	874,061	870,689	1,744,750
Restricted - acquisition of fire equipment	237,542	-	237,542
Unrestricted	866,782	315,702	1,182,484
Total net assets	<u>\$ 1,978,385</u>	<u>\$ 1,186,391</u>	<u>\$ 3,164,776</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

		<u>Program revenues</u>	
		<u>Charges for</u>	<u>Operating</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>
Functions/Programs			contributions
Primary government:			
Governmental activities:			
Legislative	\$ 8,702	\$ -	\$ -
General government	262,698	69,427	-
Public safety	177,334	54,791	1,781
Public works	104,160	43,030	6,612
Community and economic development	49,399	18,762	-
Culture and recreation	5,791	-	-
	<u>608,084</u>	<u>186,010</u>	<u>8,393</u>
Total governmental activities			
Business-type activities - water	85,413	108,627	-
	<u>85,413</u>	<u>108,627</u>	<u>-</u>
Total primary government	<u>\$ 693,497</u>	<u>\$ 294,637</u>	<u>\$ 8,393</u>
General revenues:			
Property taxes			
State shared revenue			
Franchise fees			
Unrestricted investment return			
Total general revenues			
Change in net assets			
Net assets - beginning			
Net assets - ending			

<i>Net (expenses) revenues and changes in net assets</i>		
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (8,702)		\$ (8,702)
(193,271)		(193,271)
(120,762)		(120,762)
(54,518)		(54,518)
(30,637)		(30,637)
<u>(5,791)</u>		<u>(5,791)</u>
<u>(413,681)</u>		<u>(413,681)</u>
<u>-</u>	\$ 23,214	<u>23,214</u>
<u>(413,681)</u>	<u>23,214</u>	<u>(390,467)</u>
258,394	-	258,394
284,836	-	284,836
31,316	-	31,316
<u>15,230</u>	<u>3,962</u>	<u>19,192</u>
<u>589,776</u>	<u>3,962</u>	<u>593,738</u>
176,095	27,176	203,271
<u>1,802,290</u>	<u>1,159,215</u>	<u>2,961,505</u>
<u>\$ 1,978,385</u>	<u>\$ 1,186,391</u>	<u>\$ 3,164,776</u>

See notes to financial statements

Township of Yankee Springs
BALANCE SHEET - governmental funds
June 30, 2005

	<u>General</u>	<u>Fire Equipment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 585,437	\$ 314,642	\$ 62,045	\$ 962,124
Receivables	<u>121,082</u>	<u>2,900</u>	<u>19,410</u>	<u>143,392</u>
Total assets	<u>\$ 706,519</u>	<u>\$ 317,542</u>	<u>\$ 81,455</u>	<u>\$ 1,105,516</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 11,209	\$ -	\$ 4,406	\$ 15,615
Deferred revenue	<u>-</u>	<u>-</u>	<u>19,410</u>	<u>19,410</u>
Total liabilities	11,209	-	23,816	35,025
Fund balances - unrestricted	<u>695,310</u>	<u>317,542</u>	<u>57,639</u>	<u>1,070,491</u>
Total liabilities and fund balances	<u>\$ 706,519</u>	<u>\$ 317,542</u>	<u>\$ 81,455</u>	<u>\$ 1,105,516</u>

Amounts reported for *governmental activities* in the statement of net assets (Page 5) are different because:

Total fund balances	\$ 1,070,491
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	874,061
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	19,410
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	<u>14,423</u>
Net assets of <i>governmental activities</i>	<u>\$ 1,978,385</u>

See notes to financial statements

Township of Yankee Springs**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2005

	<u>General</u>	<u>Fire equipment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 322,116	\$ -	\$ -	\$ 322,116
State grants	291,448	-	-	291,448
Licenses and permits	86,107	-	1,781	87,888
Charges for services	19,687	-	-	19,687
Interest and rentals	15,446	4,534	-	19,980
Other	30	-	32,702	32,732
	<u>734,834</u>	<u>4,534</u>	<u>34,483</u>	<u>773,851</u>
Total revenues				
EXPENDITURES				
Legislative	8,702	-	-	8,702
General government	264,435	-	-	264,435
Public safety	119,915	-	8,491	128,406
Public works	77,592	-	26,568	104,160
Community and economic development	49,399	-	-	49,399
Culture and recreation	-	-	5,791	5,791
Capital outlay	64,797	7,986	8,570	81,353
	<u>584,840</u>	<u>7,986</u>	<u>49,420</u>	<u>642,246</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>149,994</u>	<u>(3,452)</u>	<u>(14,937)</u>	<u>131,605</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	40,000	-	40,000
Transfers out	(40,000)	-	-	(40,000)
	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	109,994	36,548	(14,937)	131,605
FUND BALANCES - BEGINNING	<u>585,316</u>	<u>280,994</u>	<u>72,576</u>	<u>938,886</u>
FUND BALANCES - ENDING	<u>\$ 695,310</u>	<u>\$ 317,542</u>	<u>\$ 57,639</u>	<u>\$ 1,070,491</u>

See notes to financial statements

Township of Yankee Springs

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2005

	<i>Total governmental funds</i>
	<hr/>
Net change in fund balances - total governmental funds (Page 8)	\$ 131,605
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets:	
Assets acquired	70,745
Provision for depreciation	(51,006)
Changes in other assets/liabilities:	
Prepaid expense	14,423
Special assessments	<hr/> 10,328
Change in net assets of <i>governmental activities</i>	<hr/> <hr/> \$ 176,095

See notes to financial statements

Township of Yankee Springs
STATEMENT OF NET ASSETS - proprietary fund
June 30, 2005

	<u>Water</u>
ASSETS	
Current assets:	
Cash	\$ 304,300
Accounts receivables	<u>21,733</u>
Total current assets	<u>326,033</u>
Noncurrent assets:	
Capital assets (net of depreciation)	<u>1,520,689</u>
Total assets	<u>1,846,722</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,331
Current portion of contract payable	<u>25,000</u>
Total current liabilities	<u>35,331</u>
Noncurrent liabilities - contract payable	<u>625,000</u>
Total liabilities	<u>660,331</u>
NET ASSETS	
Investment in capital assets, net of related debt	870,689
Unrestricted	<u>315,702</u>
Total net assets	<u>\$ 1,186,391</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - *proprietary fund*
Year ended June 30, 2005

	<u>Water</u>
OPERATING REVENUES	
Charge for services	\$ 108,627
OPERATING EXPENSES	
Public works	48,272
Depreciation	<u>22,382</u>
Total operating expenses	<u>70,654</u>
OPERATING INCOME	<u>37,973</u>
NONOPERATING REVENUES (EXPENSES)	
Investment return	3,962
Interest expense	<u>(14,759)</u>
Total nonoperating revenues	<u>(10,797)</u>
CHANGE IN NET ASSETS	27,176
NET ASSETS - BEGINNING	<u>1,159,215</u>
NET ASSETS - ENDING	<u><u>\$ 1,186,391</u></u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF CASH FLOWS - proprietary fund
Year ended June 30, 2005

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 103,666
Payments to suppliers	<u>(47,925)</u>
Net cash provided by operating activities	<u>55,741</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from contract payable	190,962
Acquisition of capital assets	(198,962)
Interest payments on capital debt	<u>(10,760)</u>
Net cash used in capital and related financing activities	<u>(18,760)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment return	<u>3,963</u>
NET INCREASE IN CASH	40,944
CASH - BEGINNING	<u>263,356</u>
CASH - ENDING	<u><u>\$ 304,300</u></u>
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 37,973
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation expense	22,382
Changes in assets and liabilities:	
Receivables, net	(4,961)
Accounts payable	<u>347</u>
Net cash provided by operating activities	<u><u>\$ 55,741</u></u>

See notes to financial statements

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Yankee Springs, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Equipment Fund accounts for the financial resources used for the purchase of fire apparatus. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary fund:

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund relate to charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets, other than infrastructure, with an initial cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has the option of accounting for infrastructure assets retroactively. June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for road within the Township, which are owned by the County of Barry.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	5 - 15 years
Water systems	50 - 75 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Township Board is the functional level.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's significant budgetary violations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Total appropriation</u>	<u>Actual expenditures</u>	<u>Variance</u>
General	Community and economic development	\$ 47,097	\$ 49,399	\$ 2,302
Other governmental	Public works	-	26,568	26,568

NOTE 3 - DEPOSITS:

The Township's deposits, as shown in the government-wide statement of net assets are as follows:

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Totals</u>
Cash	\$ 962,124	\$ 304,300	\$ 1,266,424

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2005, the Township has deposits with a carrying amount of \$1,266,424 and a bank balance of \$1,325,022. Of the bank balance \$699,506 is uninsured.

Custodial credit risk is the risk that, in the event of failure of the bank, the Township will not be able to recover the value of its deposits. The Township has an investment policy that addresses custodial credit risk. As of June 30, 2005, the Township was exposed to custodial credit risk of \$699,506.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2005, for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

	<i>Governmental activities</i>			<i>Business-type activities</i>	
	<i>General</i>	<i>Fire equipment</i>	<i>Other governmental</i>	<i>Water</i>	<i>Totals</i>
Accounts	\$ 17,605	\$ -	\$ -	\$ 21,733	\$ 39,338
Special assessments	-	-	19,410	-	19,410
Intergovernmental	99,877	-	-	-	99,877
Interest	3,600	2,900	-	-	6,500
Totals	\$ 121,082	\$ 2,900	\$ 19,410	\$ 21,733	\$ 165,125
 Noncurrent portion	 \$ -	 \$ -	 \$ 14,055	 \$ -	 \$ 14,055

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 69,109	\$ -	\$ -	\$ 69,109
Capital assets being depreciated:				
Buildings	353,027	62,609	-	415,636
Equipment	130,787	8,136	-	138,923
Vehicles	541,434	-	-	541,434
Subtotal	1,025,248	70,745	-	1,095,993
Less accumulated depreciation for:				
Buildings	99,005	9,197	-	108,202
Equipment	102,380	7,197	-	109,577
Vehicles	38,650	34,612	-	73,262
Subtotal	240,035	51,006	-	291,041
 Total capital assets being depreciated, net	 785,213	 19,739	 -	 804,952
 Governmental activities capital assets, net	 \$ 854,322	 \$ 19,739	 \$ -	 \$ 874,061

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital assets being depreciated:				
Water system	1,494,988	198,962	-	1,693,950
Less accumulated depreciation for:				
Water system	<u>185,879</u>	<u>22,382</u>	<u>-</u>	<u>208,261</u>
Total capital assets being depreciated, net	<u>1,309,109</u>	<u>176,580</u>	<u>-</u>	<u>1,485,689</u>
Business-type activities capital assets, net	<u>\$ 1,344,109</u>	<u>\$ 176,580</u>	<u>\$ -</u>	<u>\$ 1,520,689</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 3,565
Public safety	<u>47,441</u>
Total governmental activities	<u>\$ 51,006</u>
Business-type activities - water	<u>\$ 22,382</u>

NOTE 6 - NONCURRENT LIABILITIES:

Business-type activities:	
2003 Barry County Water Supply System contract payable - payable in annual installments ranging from \$25,000 to \$40,000, plus interest at 2.5%; final payment due October 2025.	<u>\$ 650,000</u>

Noncurrent liability activity for the year ended June 30, 2005, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
2003 Water contract	<u>\$ 459,038</u>	<u>\$ 190,962</u>	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 25,000</u>

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At June 30, 2005, debt service requirements were as follows:

	<u>Principal</u>	<u>Interest</u>
Business-type activities:		
Year ended June 30:		
2006	\$ 25,000	\$ 15,938
2007	25,000	15,313
2008	25,000	14,688
2009	25,000	14,063
2010	30,000	13,375
2011 - 2015	150,000	55,625
2016 - 2020	175,000	35,315
2021 - 2025	<u>195,000</u>	<u>12,438</u>
Totals	<u>\$ 650,000</u>	<u>\$ 176,755</u>

NOTE 7 - INTERFUND:

A summary of interfund transfers for the year ended June 30, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Fire Equipment	<u>\$ 40,000</u>	General	<u>\$ 40,000</u>

In 2005, a transfer was used to move available unrestricted funds from the General Fund for future purchases of fire equipment.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2005, follows:

Revenues	\$ 54,791
Expenses	<u>(54,791)</u>
Excess of revenues over expenses	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 239,629	\$ 293,581	\$ 322,116	\$ 28,535
State grants	292,199	292,199	291,448	(751)
Licenses and permits	60,000	60,000	86,107	26,107
Charges for services	18,500	18,500	19,687	1,187
Interest and rentals	9,000	9,000	15,446	6,446
Other	100	100	30	(70)
Total revenues	<u>619,428</u>	<u>673,380</u>	<u>734,834</u>	<u>61,454</u>
EXPENDITURES				
Legislative - Township Board	<u>8,897</u>	<u>8,897</u>	<u>8,702</u>	<u>195</u>
General government:				
Supervisor	25,728	25,728	22,167	3,561
Elections	11,648	12,832	14,092	(1,260)
Assessor	35,750	35,750	37,006	(1,256)
Clerk	28,118	28,475	28,816	(341)
Board of review	1,965	1,965	1,540	425
Treasurer	29,052	29,202	28,865	337
Township hall	88,338	103,879	99,764	4,115
Cemetery	15,100	15,100	12,462	2,638
Administration	<u>38,900</u>	<u>40,294</u>	<u>19,723</u>	<u>20,571</u>
Total general government	<u>274,599</u>	<u>293,225</u>	<u>264,435</u>	<u>28,790</u>
Public safety:				
Fire department	80,923	80,923	65,124	15,799
Inspections department	<u>40,000</u>	<u>46,411</u>	<u>54,791</u>	<u>(8,380)</u>
Total public safety	<u>120,923</u>	<u>127,334</u>	<u>119,915</u>	<u>7,419</u>
Public works:				
Utilities	5,000	5,000	2,149	2,851
Roads	<u>77,070</u>	<u>77,070</u>	<u>75,443</u>	<u>1,627</u>
Total public works	<u>82,070</u>	<u>82,070</u>	<u>77,592</u>	<u>4,478</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Planning commission	\$ 19,300	\$ 21,252	\$ 26,578	\$ (5,326)
Zoning	<u>25,641</u>	<u>25,845</u>	<u>22,821</u>	<u>3,024</u>
Total community and economic development	<u>44,941</u>	<u>47,097</u>	<u>49,399</u>	<u>(2,302)</u>
Recreation and culture	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Capital outlay	<u>38,500</u>	<u>73,500</u>	<u>64,797</u>	<u>8,703</u>
Total expenditures	<u>570,930</u>	<u>633,123</u>	<u>584,840</u>	<u>48,283</u>
EXCESS OF REVENUES OVER EXPENDITURES	48,498	40,257	149,994	109,737
OTHER FINANCING USES				
Transfer out - Fire Equipment Fund	<u>(45,000)</u>	<u>(45,000)</u>	<u>(40,000)</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	3,498	(4,743)	109,994	114,737
FUND BALANCES - BEGINNING	<u>585,316</u>	<u>585,316</u>	<u>585,316</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 588,814</u>	<u>\$ 580,573</u>	<u>\$ 695,310</u>	<u>\$ 114,737</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 4,534	\$ 2,534
EXPENDITURES				
Capital outlay	<u>-</u>	<u>8,150</u>	<u>7,986</u>	<u>164</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,000</u>	<u>(6,150)</u>	<u>(3,452)</u>	<u>2,698</u>
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>-</u>	<u>45,000</u>	<u>40,000</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCES	2,000	38,850	36,548	(2,302)
FUND BALANCES - BEGINNING	<u>280,994</u>	<u>280,994</u>	<u>280,994</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 282,994</u>	<u>\$ 319,844</u>	<u>\$ 317,542</u>	<u>\$ (2,302)</u>

SUPPLEMENTARY INFORMATION

Township of Yankee Springs**COMBINING BALANCE SHEET - Nonmajor Governmental Funds**

June 30, 2005

	Special revenue			
	<u>Fire Building</u>	<u>Revolving Improvement</u>	<u>Liquor License</u>	<u>Park Land Development</u>
ASSETS				
Cash	\$ -	\$ 48,061	\$ 517	\$ 13,467
Receivables	-	19,410	-	-
	<u>-</u>	<u>19,410</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 67,471</u>	<u>\$ 517</u>	<u>\$ 13,467</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 4,406	\$ -	\$ -
Deferred revenue	-	19,410	-	-
	<u>-</u>	<u>19,410</u>	<u>-</u>	<u>-</u>
Total liabilities	-	23,816	-	-
Fund balances	-	43,655	517	13,467
	<u>-</u>	<u>43,655</u>	<u>517</u>	<u>13,467</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 67,471</u>	<u>\$ 517</u>	<u>\$ 13,467</u>

***Total
nonmajor
governmental
funds***

\$ 62,045
19,410

\$ 81,455

\$ 4,406
19,410

23,816

57,639

\$ 81,455

Township of Yankee Springs**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Nonmajor Governmental Funds**

Year ended June 30, 2005

	Special revenue			
	<u>Fire Building</u>	<u>Revolving Improvement</u>	<u>Liquor License</u>	<u>Park Land Development</u>
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 1,781	\$ -
Other	-	32,702	-	-
	<u>-</u>	<u>32,702</u>	<u>-</u>	<u>-</u>
Total revenues	-	32,702	1,781	-
	<u>-</u>	<u>32,702</u>	<u>1,781</u>	<u>-</u>
EXPENDITURES				
Public safety	5,800	-	2,691	-
Public works	-	26,568	-	-
Recreation and culture	-	-	-	5,791
Capital outlay	8,570	-	-	-
	<u>14,370</u>	<u>26,568</u>	<u>2,691</u>	<u>5,791</u>
Total expenditures	14,370	26,568	2,691	5,791
	<u>14,370</u>	<u>26,568</u>	<u>2,691</u>	<u>5,791</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,370)	6,134	(910)	(5,791)
OTHER FINANCING SOURCES				
Transfer in - General Fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(14,370)	6,134	(910)	(5,791)
FUND BALANCES - BEGINNING	14,370	37,521	1,427	19,258
	<u>14,370</u>	<u>37,521</u>	<u>1,427</u>	<u>19,258</u>
FUND BALANCES - ENDING	\$ -	\$ 43,655	\$ 517	\$ 13,467
	<u>\$ -</u>	<u>\$ 43,655</u>	<u>\$ 517</u>	<u>\$ 13,467</u>

***Total
nonmajor
governmental
funds***

\$ 1,781
32,702

34,483

8,491
26,568
5,791
8,570

49,420

(14,937)

-

(14,937)

72,576

\$ 57,639

**Board of Trustees
Township of Yankee Springs, Michigan**

In planning and performing our audit of the basic financial statements of the Township of Yankee Springs, Michigan, for the year ended June 30, 2005, we considered its internal control in order to determine our audit procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

The following are reportable conditions that were noted during the audit:

- The financial activity of the cash and investment accounts owned by the Township were not completely reflected in the accounting records.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

October 7, 2005